

HOUSING AFFORDABILITY In Metropolitan Toronto

Metropolitan Toronto is suffering both from escalating costs in buying a home and from a near-zero vacancy rate in rental units, making the availability of affordable housing a critical question for many Metro families.

In summary this SOCIAL INFOPAC confirms that:

- The total supply of affordable housing now falls short of meeting the demand in Metro by at least 20,000 units, and this situation will probably further deteriorate during the next twelve months.
- Rising house prices are slowly squeezing the one income earner family out of the home ownership market.
- Because families will increasingly require two incomes to finance the purchase of a home, the demand for subsidized daycare and other social services will increase.

- Low income families and persons face increasing hardships as the proportion of rental units available to them rapidly diminishes.

- Government must be prepared to intervene, as it has before, to increase the supply of affordable housing and to stabilize home ownership costs.

HOME OWNERSHIP

Housing affordability varied substantially across Metro in 1981. There are still some affordable districts (Downsview, Rexdale and Bramalea, for example) where average prices run between \$65,000 and \$80,000. By contrast districts such as Cabbagetown, North Toronto and Willowdale have average house prices of \$120,000 and more.

Two years ago, median income families could afford to purchase an average priced house using just a small downpayment. Today, the

purchase of a similar house requires a family income of nearly \$50,000 -- some 60% above the median. The problem is particularly acute for potential first-time homebuyers who have no existing equity with which to reduce the burden of financing.

Mortgage rate increases have created additional problems. For a first-time home-buyer entering into a mortgage, payments on the purchase of an average priced Metro house have almost doubled since 1979-- from \$709 to \$1,335. The proportion of an average family's gross income required to cover financing has risen from 33.1% to 51.5%. Mortgage costs on an average priced condominium apartment or townhouse (between 20 - 25% of the market) have increased from \$396 to \$708 over the same period, a jump from 18.5% to 27.3% in the proportion of gross income required to cover financing. (Table 1)

The very real possibility exists that much of the

City of Toronto's housing will soon be hopelessly beyond the means of even middle income families. Those districts experiencing the most severe housing price increases during the past year are highly concentrated in the city core and along the subway lines. (See Map) This escalation of city housing prices is the intensification of a trend evident since 1976.

| | Increase in House Prices | |
|-----------------------|-----------------------------|---------------|
| | 1976- 1981 | 1980- 1981 |
| City of Toronto | 69.7% | 29.7% |
| Rest of Metro area | 38.3% | 13.8% |

These trends have serious implications. Increasingly, median income families will be unable to afford housing anywhere but in the outlying districts: the northwest part of Metro, parts of Scarborough, and in northern Mississauga. These areas are poorly served by public transportation. In addition, families will be forced to turn to accommodation less suited to their needs. Eventually families with only one income earner may be excluded from the home ownership market.

INTER-CITY COMPARISON

Between 1974 and 1978, Metro Toronto was experiencing housing affordability problems more severe than the rest of Canadian cities as a whole. For example, while Canada's eight largest metropolitan areas saw a 4.8% increase in the proportion of families owning their own homes, Toronto experienced a decline in home ownership of 7.2

During this same period, home ownership costs increased by 60.2% for the eight cities as a whole, and by 73.6% in the Toronto area. In 1978, home ownership costs were about 12.5% higher and rental costs 16% higher in Toronto than for the eight cities as a whole.

At the same time, family incomes were generally failing to keep pace with these increased shelter costs, increasing by 45.2% for the eight cities together, and by 40.8% for Metro Toronto. In short, in relation to other Canadian cities, Toronto's rate of home ownership has declined, its home ownership costs have increased, and incomes have lagged.

RENTAL HOUSING

Critical problems also face Metro Toronto in the rental housing market. During the period of rent controls, increases in rents have generally been kept below increases in wages. While average weekly earnings have increased 101.5% since 1974, rents have gone up by 71 to 86%. (See Table 2)

However, these figures are not as hopeful as they seem. First, the data lumps together rent-controlled and non-controlled units. With Toronto's vacancy rate running at 0.4%, many households may have problems finding rental accommodation within their price range - as it is reasonable to assume that most of the limited rental units available are at the upper end of the scale.

In addition, the full impact of high mortgage rates on refinancing costs for

multiple-unit buildings will probably show up in the rent levels to be found in future Canada Mortgage and Housing Corporation Surveys. The above figures are taken from the October, 1981 survey, and as such may not reflect the severity of the affordability problem facing many tenants.

However, even with rent controls, average rents have increased in many parts of Metro during the past year by more than 10%. (See Table 3) Rents on bachelor units in Etobicoke increased a whopping 28.7% and by more than 10% in the City of Toronto, York and Scarborough. Etobicoke's one bedroom units jumped 12.2%, with rent increases of more than 10% in the City's West End, York, Scarborough and North York. Rentals on two bedroom units jumped 12.4% in the West End, and by over 10% in Scarborough and Etobicoke. Three bedroom unit rentals jumped by 12.7% in Scarborough, and by more than 10% in Etobicoke.

LOSS OF LOW-INCOME UNITS

Further problems are created by the decline in low-income rental units available. The data from Table 4 clearly demonstrates that the housing available to the elderly, single parent families, the unemployed, the disabled, students and low wage workers is diminishing.

Between April and October, 1981, the worst deterioration occurred in Scarborough. The proportion of bachelor units available for under \$240 per month declined by more than 75%. The proportion of one and two bedroom apartments

Table 1
HOUSING OWNERSHIP ACCESSIBILITY, TORONTO AREA, 1971 - 1981

| Year | Prices | | Average ¹ Monthly Mortgage Interest Rate | First Mortgage: Monthly Principal and Interest Repayment ² | | Ratio: Monthly First Mortgage Repayment to Monthly Median Family Income | |
|------|---------------|------------------------|---|---|------------------------|---|------------------------|
| | Single Houses | Condominium Apartments | | Single Houses | Condominium Apartments | Single Houses | Condominium Apartments |
| 1971 | \$31,950 | - | 9.042 | 245 | - | .253 | - |
| 1972 | 35,331 | - | 8.946 | 269 | - | .253 | - |
| 1973 | 41,450 | - | 9.400 | 327 | - | .272 | - |
| 1974 | 55,391 | \$35,031 | 10.895 | 493 | 312 | .360 | .228 |
| 1975 | 61,499 | 35,959 | 11.172 | 555 | 324 | .369 | .215 |
| 1976 | 65,036 | 37,027 | 11.706 | 609 | 347 | .370 | .211 |
| 1977 | 68,168 | 37,596 | 10.357 | 579 | 319 | .324 | .178 |
| 1978 | 71,057 | 38,959 | 10.293 | 600 | 329 | .304 | .167 |
| 1979 | 77,602 | 43,316 | 11.355 | 709 | 396 | .331 | .185 |
| 1980 | 81,453 | 46,754 | 14.308 | 906 | 520 | .384 | .221 |
| 1981 | 101,846 | 54,000 | 17.148 | 1,335 | 708 | .515 | .273 |

1. Canadian Housing Statistics (various years).
2. Assumes a ten per cent down payment, and amortization period of 25 years.

Table 2
RENTAL AFFORDABILITY UNDER RENT CONTROL (METRO TORONTO)

| | Average Rents by Size of Unit (\$) | | | | | | | | Average Weekly Earnings (all employees) | |
|-----------------------|------------------------------------|----------|--------------|----------|---------------|----------|-----------------|----------|--|----------|
| | Bachelor | % Change | One Bed-room | % Change | Two Bed-rooms | % Change | Three bed-rooms | % Change | | % Change |
| 1974 | 151 | | 174 | | 202 | | 257 | | 177.24 | |
| 1975 | 177 | 17.2 | 201 | 15.5 | 249 | 23.3 | 307 | 19.5 | 201.05 | 13.4 |
| 1981 | 271 | 53.1 | 321 | 59.7 | 376 | 51.0 | 440 | 43.3 | 357.22 | 77.7 |
| % Change 1974 - 81 | | 79.5 | | 84.5 | | 86.1 | | 71.2 | | 101.5 |

Sources: Canada Mortgage and Housing Corporation, Rental Apartment Vacancy Survey (various years); Ministry of Housing, Rental Market Survey (various years); Social Planning Council, Guides For Family Budgeting (various years); Statistics Canada, Employment, Earnings and Hours (various years).

Note: 1974 rental figures were calculated using Canada Mortgage and Housing survey data for December 1973 and June 1974, as well as February 1974 data in the budget guides; 1975 rental figures were calculated using Canada Mortgage and Housing Corporation survey data for December 1974, April 1975 and October 1975, as well as Ministry of Housing rental market data for August 1975; 1981 rental figures were taken directly from Canada Mortgage and Housing Corporation's survey data for October 1981.

Table 3
AVERAGE RENTS IN METROPOLITAN TORONTO, OCTOBER 1981

| | Bachelor | | One Bedroom | | Two Bedroom | | Three Bedroom | |
|----------------------|----------|---------------------------|-------------|---------------------------|-------------|---------------------------|---------------|---------------------------|
| | Rent | Per Cent Change from 1980 | Rent | Per Cent Change from 1980 | Rent | Per Cent Change from 1980 | Rent | Per Cent Change from 1980 |
| City of Toronto | 274 | 10.6 | 337 | 8.6 | 413 | 7.6 | 474 | 2.4 |
| Core Area | 286 | 11.4 | 356 | 9.0 | 437 | 6.3 | 485 | 1.8 |
| North Toronto | 271 | 10.9 | 337 | 6.7 | 417 | 6.2 | 471 | 1.4 |
| West End | 259 | 9.0 | 310 | 10.8 | 377 | 12.4 | 470 | 7.5 |
| York | 245 | 10.1 | 306 | 10.0 | 382 | 8.6 | 441 | 6.5 |
| East York | 273 | 5.2 | 302 | 3.6 | 352 | 1.6 | 428 | 0.9 |
| Scarborough | 271 | 10.8 | 316 | 11.6 | 369 | 12.2 | 432 | 12.7 |
| Etobicoke | 281 | 28.7 | 311 | 12.2 | 379 | 10.6 | 456 | 10.4 |
| North York | 248 | 2.6 | 315 | 10.4 | 361 | 8.5 | 426 | 8.5 |
| Metropolitan Toronto | 271 | 10.7 | 321 | 9.3 | 376 | 9.0 | 440 | 8.3 |

Table 4
LOW TO MODERATE RENTS AS A PROPORTION OF TOTAL UNITS, BY AREA

| | | <u>West End Toronto</u> | | <u>Etobicoke</u> | | <u>Scarborough</u> | | <u>North York</u> | | <u>West of Yonge</u> | |
|-----------------------|-----|-------------------------|-------------|------------------|-------------|--------------------|-------------|-------------------|-------------|----------------------|-------------|
| | | <u>April</u> | <u>Oct.</u> | <u>April</u> | <u>Oct.</u> | <u>April</u> | <u>Oct.</u> | <u>April</u> | <u>Oct.</u> | <u>April</u> | <u>Oct.</u> |
| <u>Bachelors</u> | | | | | | | | | | | |
| % Renting Under | 200 | 18.2 | 10.7 | 9.8 | 4.9 | 1.4 | 0.2 | 5.4 | 0.0 | 11.4 | 27.6 |
| | 220 | 36.0 | 25.9 | 38.4 | 44.3 | 11.5 | 2.5 | 7.5 | 2.4 | 29.1 | 44.6 |
| | 240 | 50.2 | 39.5 | 64.3 | 61.2 | 43.7 | 9.8 | 29.7 | 12.4 | 54.4 | 54.4 |
| | 260 | 57.8 | 47.7 | 79.9 | 68.7 | 67.0 | 30.5 | 34.4 | 27.8 | 83.0 | 84.6 |
| <u>One Bedroom</u> | | | | | | | | | | | |
| % Renting Under | 240 | 8.5 | 4.6 | 11.3 | 5.6 | 3.1 | 1.3 | 3.2 | 2.3 | 5.3 | 3.4 |
| | 260 | 20.7 | 15.5 | 27.9 | 21.7 | 13.6 | 7.1 | 9.0 | 5.0 | 15.1 | 10.6 |
| | 280 | 44.9 | 29.0 | 41.6 | 34.6 | 33.2 | 19.2 | 29.4 | 12.4 | 32.1 | 22.5 |
| | 300 | 67.5 | 52.8 | 55.6 | 49.8 | 62.4 | 48.1 | 57.7 | 36.7 | 57.7 | 41.4 |
| <u>Two Bedrooms</u> | | | | | | | | | | | |
| % Renting Under | 280 | 8.3 | 4.0 | 9.2 | 3.3 | 5.9 | 1.7 | 1.7 | 2.3 | 7.0 | 4.0 |
| | 300 | 15.3 | 9.9 | 21.0 | 13.1 | 16.6 | 8.8 | 8.0 | 6.7 | 16.0 | 8.2 |
| | 320 | 33.5 | 16.1 | 29.3 | 21.7 | 32.1 | 19.0 | 17.9 | 16.6 | 30.4 | 20.2 |
| | 340 | 49.2 | 25.7 | 38.0 | 32.2 | 53.2 | 37.7 | 40.0 | 32.2 | 52.6 | 34.5 |
| <u>Three Bedrooms</u> | | | | | | | | | | | |
| % Renting Under | 340 | 28.8 | 4.5 | 9.8 | 1.8 | 10.8 | 2.8 | 6.7 | 2.2 | 7.7 | 1.9 |
| | 360 | 33.9 | 7.9 | 12.3 | 6.8 | 16.9 | 6.8 | 15.1 | 5.2 | 18.3 | 6.2 |
| | 380 | 37.3 | 9.0 | 17.1 | 13.1 | 31.8 | 18.8 | 22.6 | 12.6 | 32.7 | 14.9 |
| | 400 | 44.1 | 9.0 | 26.1 | 19.0 | 43.2 | 33.9 | 40.7 | 31.7 | 48.3 | 33.0 |

renting for under \$280 and \$320 per month respectively went down by more than 40%. Three bedroom apartments renting for less than \$380 showed a similar decline.

Using the same benchmark rents, West End Toronto saw the elimination of 35% of its low rent one bedrooms, 50% of its low rent two bedrooms, and more than 75% of its low rent three bedrooms. Etobicoke lost 25% of its affordable two and three bedroom apartments.

In the eastern half of North York, the proportion of bachelors renting for less than \$240, and of one bedrooms renting for less than \$280, declined by over 50%. The proportion of affordable three bedroom units dropped by 45%.

In the western half of North York, low rent one bedrooms decreased by 30%, two bedrooms by 33%, and three bedroom apartments by 55%.

FIRST-TIME HOMEBUYERS

The first-time homebuyer is a critical part of both the home ownership and private rental market. Without them, there is no increase in the total ownership housing demand, and ultimately no need to produce additional ownership units.

At the same time, first-time homebuyers normally ease the demand for rental units when they move into their newly purchased homes. But with so few potential first-time buyers in the market, the pressure on the private rental units grows stronger every day.

A study released in 1980 by the Canada Mortgage and

Housing Corporation showed that only 10.4% of Metro renters under the age of 45 (potential first-time homebuyers) could afford to purchase an average priced house at mortgage interest rates of 15%. The subsequent increase in housing prices and interest rates has reduced this figure to less than 5% of renting households. The resulting pressure squeezes out people at the low end of the income scale who can not afford the escalation in rent levels caused by this added demand. (Toronto Homebuilders Association, Housing Demand and Constraints on Residential Construction in Toronto in the 1980's, June, 1981).

HOUSING PRODUCTION AND GOVERNMENT FUNDING

Beginning with the guaranteed rental program in 1946, a variety of programs have helped increase the supply of affordable housing. Government commitment to both increasing the supply of housing as well as to subsidized housing has come to an abrupt end.

When the number of private rental starts slumped in 1970, the federal government responded by nearly tripling the number of assisted rental starts. In 1975, although direct public construction of low income family housing had declined, the federal government increased the number of assisted private rental starts by 50%. Since 1979, despite the severe building slump occasioned by high interest rates, government has failed to respond with increased assistance.

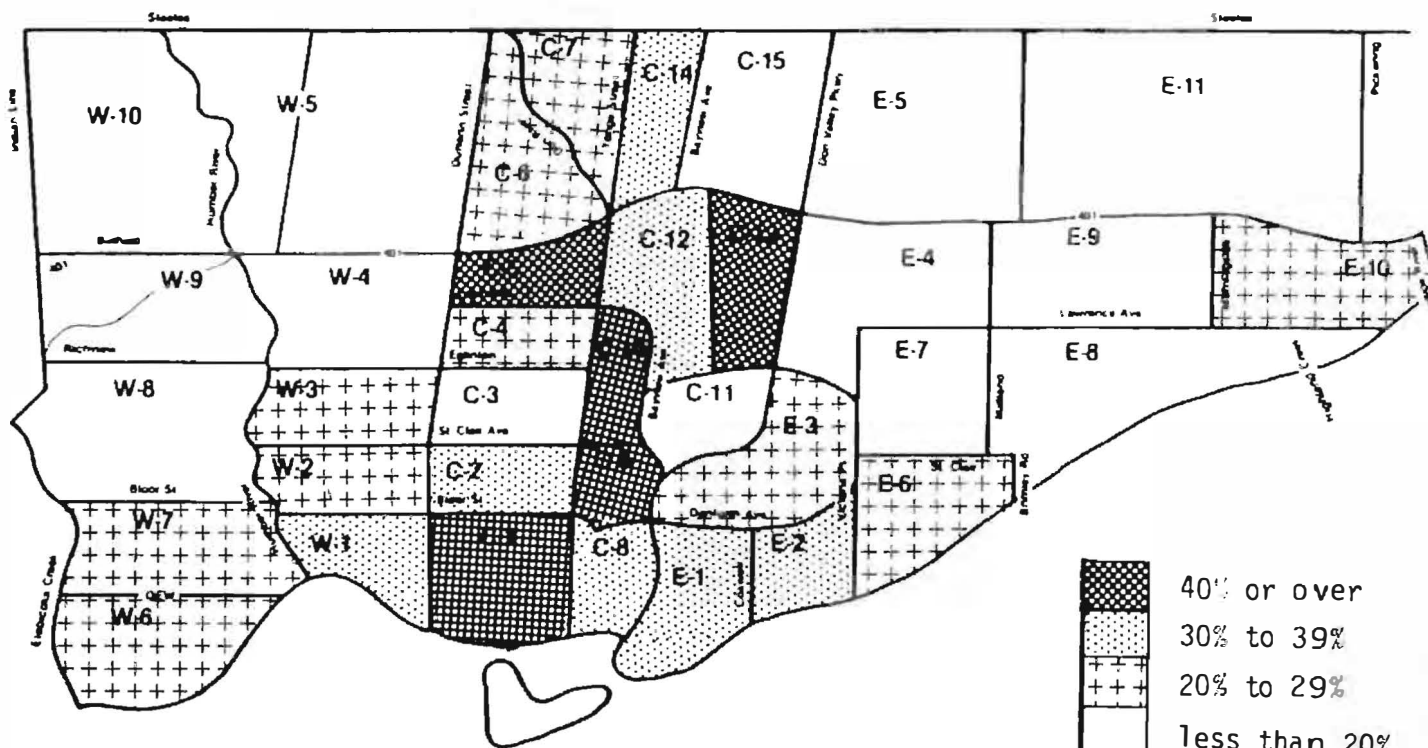
In Metro Toronto, the number

of both assisted and unassisted starts has fallen dramatically since the early seventies. The City of Toronto's ten year target for assisted housing units, established in 1975, has achieved only 50% of expected output to date. To meet the target by 1986, three in four units built in the city during the next five years would have to be assisted units. Given the reduction in assisted housing programs, there is little chance that the targets can be achieved. There is currently a deficit of more than 20,000 units in the supply of housing required to effectively meet demand in the Metropolitan Toronto market.

The failure of the federal and provincial governments to maintain adequate supply-side housing programs to increase the number of affordable units, coupled with the continuing inability of the private market to build housing for low and moderate income people, has created a serious shortage of affordable units. The high interest rates have served to worsen the situation by severely curtailing residential construction.

Government has intervened in the past to increase the supply of affordable housing. It must be prepared to intervene again if the supply shortfall is to be reduced, and if escalating housing prices are to be stabilized. In particular, a significant and prolonged decline in interest rates is necessary if housing--both homes and apartment units--is to continue to be available to meet the needs of society.

INCREASES IN HOUSE PRICES 1980 TO 1981 *



* From data supplied by the Toronto Real Estate Board



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